

BENEFITS AND SERVICES

ATTACHMENT (S) : 1

INFORMATION: X PRESENTER: Ms. DuCray-Morrill/Mr. Pete Hough

Membership is open to representatives of client organizations and associations, STRS members, and member organization staff. Occasionally STRS Board members also attend the meetings. The representatives are chosen by the member organizations. A mailing list of all representatives and main offices of the member organizations is maintained by periodically requesting members to keep us updated on address, phone number, and fax number. If the U.S. Postal Service returns a mailing as undeliverable, we follow-up with phone calls to verify a change in address. The meetings are generally held bi-monthly on the Wednesday preceeding the STRS Board meeting. The annual schedule is set when the Board calendar is established for the next year. Reminder notices for each meeting are mailed out about two weeks prior to the meeting dates.

Client Advisory Committee Meeting Briefing - Item 4
May 7, 1998
Page 2

The agendas are developed through requests from the members and augmented as appropriate by STRS staff when issues of mutual concern arise. Agenda items may include law, policy, program design, and their impact on operational systems. Minutes of the prior meeting, including tentative agenda items, are mailed with the meeting notices. Occasionally ad hoc meetings or joint meetings with the Employer Advisory Committee are set-up for issues which require special attention and protracted discussion which will go beyond the scope of the regularly scheduled 3 hour meetings.

Attached are copies of agendas from several past meetings (Attachment 1), samples of meeting reminder notices with meeting minutes (Attachment 2), the committee charter (Attachment 3), and the mailing list used for sending information to CAC members and business offices for client organizations (Attachment 4). Please note that there are only name and organization affiliation listed for many committee members. These members have information mailed to their home addresses, and the addresses were deleted as a matter of policy.



A G E N D A

CLIENT ADVISORY COMMITTEE MEETING

MARCH 4, 1998

1:00p.m. - 4:00p.m.

CHANDLER BUILDING

CONFERENCE ROOM - #205

- | | | |
|-----------|--|---------------------------------|
| 1. | Welcome
1:00 - 1:05 | Pete Hough |
| 2. | Topics of Interest
1:05 - 1:20 | Jennifer Du-Cray-Morrill |
| 3. | Legislation
1:20 - 2:20 | Jennifer Du-Cray-Morrill |
| | BREAK
2:20 - 2:35 | |
| 4. | FTE
2:35 -3:05 | Jennifer DuCray-Morrill |
| 5. | Mandatory Social Security
3:05 - 3:20 | Jennifer DuCray-Morrill |
| 6. | Cash Balance Plan Proposed Amendments
3:20 - 3:50 | Jennifer DuCray-Morrill |
| 7. | Next Meeting Agenda Items (05/06/98)
3:50 - 4:00 | Pete Hough |



A G E N D A

JOINT CLIENT ADVISORY COMMITTEE/EMPLOYER ADVISORY COMMITTEE MEETING

JANUARY 14, 1998

9:30a.m. - 4:30p.m.

**SACRAMENTO STATE UNIVERSITY
SPEECH DRAMA ROOM, ROOM 132**

- | | | |
|------------|---|--------------------------------|
| 1. | Welcome
9:30 - 9:40 | Pete Hough |
| 2. | Topics of Interest
9:40 - 9:55 | Jim Mosman |
| 3. | Investments Chief Investments Officer
9:55 - 11:00 | Patrick Mitchell |
| 4. | Legislation Update
10:00 -11:30 | Jennifer DuCray-Morrill |
| 5. | LUNCH
11:30 - 12:30 | |
| 6. | Mandatory Social Security
12:30 - 1:00 | Jennifer DuCray-Morrill |
| 7. | FTE Issues for Adult Education
1:00 - 2:20 | Jennifer DuCray-Morrill |
| 8. | BREAK
2:20 - 2:40 | |
| 9. | Continued FTE Issues for Adult Education
2:40 - 4:00 | Jennifer DuCray-Morrill |
| 10. | Recap of Meeting
4:00 - 4:15 | Jennifer DuCray-Morrill |
| 11. | Next Meeting Agenda Items (03/04/98)
4:15 - 4:30 | Pete Hough |



A G E N D A

CLIENT ADVISORY COMMITTEE MEETING

November 5, 1997

1:00p.m. - 2:45p.m.

CHANDLER BUILDING (Building next to STRS)

Conference Room #205

- | | | |
|-----------|--|---|
| 1. | Welcome
1:00 - 1:05 | Pete Hough |
| 2. | Topics of Interest
1:05 - 1:20 | Jim Mosman
Jennifer DuCray-Morrill |
| 3. | Legislation
1:20 - 1:40 | Jennifer DuCray-Morrill |
| 4. | Retirement Plan Study
1:40 - 2:00 | Jennifer DuCray-Morrill |
| 5. | Optional Benefit Survey
2:00 - 2:20 | Jennifer DuCray-Morrill |
| 6. | Annual Statements (DB & CB)
2:20 - 2:35 | Pete Hough |
| 7. | 1998 Calendar
(01/14 or 01/21 to accommodate
attendance by Patrick Mitchell)
2:35 - 2:40 | Pete Hough |
| 8. | Next Meeting Agenda Items (01/07/98)
2:40 - 2:45 | Pete Hough |



A G E N D A

CLIENT ADVISORY COMMITTEE MEETING

**September 10, 1997
1:00p.m. - 4:00p.m.**

**CHANDLER BUILDING (Building next to STRS)
Conference Room #205**

- | | | |
|-----------|---|---|
| 1. | Welcome
1:00 - 1:05 | Pete Hough |
| 2. | Topics of Interest
1:05 - 1:15 | Jim Mosman
Jennifer DuCray-Morrill |
| 3. | Legislation
1:15 - 2:15 | Jennifer DuCray-Morrill |
| 4. | BREAK
2:15 - 2:30 | |
| 5. | Social Security Tape Clarification
2:30 - 3:00 | Kathy Bosler |
| 6. | Miscellaneous (Group Discussion) | |
| 7. | Next Meeting Agenda Items (11/5/97) | Pete Hough |

January 30, 1998

TO: Client Advisory Committee Member
Employer Advisory Committee Member
Executive Staff
Division Chiefs
STRS Participants

FROM: Administration Branch

SUBJECT: CLIENT ADVISORY COMMITTEE MEETING - MARCH 4, 1998

The next Client Advisory Committee Meeting will be held on Wednesday, March 4, 1998 from 1:00pm to 4:00pm. The meeting will be held at the Chandler Building, right next to STRS in Conference Room 205.

Tentative suggested agenda items are as follows:

- Topics of Interest
- Legislation
- FTE
- Cash Balance Plan Proposes Amendments
- Mandatory Social Security Update
-

We are looking forward to seeing you on the 4th.

Sincerely,

Pete Hough
Client/Employer Liaison

TO: Client Advisory Committee Members
Employer Advisory Committee Members
Executive Staff
Division Chiefs
STRS Participants

January 30, 1998

FROM: Administration Branch

SUBJECT: COMBINED CLIENT ADVISORY/EMPLOYER ADVISORY COMMITTEE
MEETING SUMMARY JANUARY 14, 1998

CLIENT ADVISORY COMMITTEE MEMBERS PRESENT

Katie Biggs	CFT - California Federation of Teachers - Adult Education Commission
Beverly Carlson	CTA - California Teachers Association
Bill Collins	CTA - California Teachers Association
Arthur Geisler	CTA - California Teachers Association
David Hawkins	FACCC - Faculty Association of California Community Colleges
Ernest Kettenring	CCAEE - California Council for Adult Education
Leonard Larson	ACSA - Association of California School Administrators
Robert Lee	ACSA - Association of California School Administrators
John Madden	ACCCA - Association of California Community College Administrators
John Matulich	ACCCA - Association of California Community College Administrators
Dorothy Moser	UTLA -R - United Teachers Los Angeles - Retired
Dan Pope	CRTA - California Retire Teachers' Association
Karen Russell	CTA - California Teachers Association
Rodger Scott	CFT - California Federation of Teachers
Loretta Toggenburger	UTLA - United Teachers Los Angeles

EMPLOYER ADVISORY COMMITTEE MEMBERS PRESENT

Brenda Booth	Contra Costa County Office of Education
Bobby Diaz	Los Angeles Unified School District
Vickie Gilbert	Santa Clara County Office of Education
Tina Kaufman	Los Angeles County Office of Education
Richard Lee	Orange County Office of Education
Patricia McCree	San Diego Community College District
Roberta Nathanson	Los Angeles Unified School District, Adult Division
Les Phillips	San Diego County Office of Education
Debbie Tausch	Los Angeles County Office of Education
Karen Tillman	Los Angeles Unified School District
Joan Steever	Los Angeles Community Colleges

STRS STAFF PRESENT

Kathy Bosler	STRS Representative, Southern California
Lynda Bridges	Chief, Service Retirement Division
Michael Carter	Deputy CEO, Client Benefits & Services Branch
Jennifer DuCray-Morrill	Deputy CEO, GAPD
Karon Green	Chief, Legislative and Actuarial Services Division
Pete Hough	Client/Employer Liaison
Dennis LeBlanc	Manager, Public Service
Francisco Lujano	Manager, Planning & Research
Larry Martin	Deputy CEO, Information & Financial Systems Branch
Al Ray	Manager, Reporting Units

INVESTMENT ALLOCATION AND RETURNS - Partick Mitchell

Patrick's 1st slide showed market value growth over the last decade.

Patrick's 2nd slide was a bar chart of the rate of return in % based on market value by fiscal year. A line through the chart depicted those rates in relation to the actuarial expected rate of return. As part of the explanation of the significance of the chart, Patrick said we are trying to dampen the volatility of return swings by moving to those investments in equities which have solid but less volatile return rates. Ernest Kettenring asked if the volatility was a positive factor when looking at the years of high return, and why we would want to dampen the volatility. As part of the explanation, Patrick talked about the funding level. He said at one point that we should not be attempting full funding, it should be at some lower value. The current contribution rate more than covers the current payout. The contribution rate is too high, and the benefits are too low. Our goals should be to improve benefits and lower the contribution rate. We should spread the wealth.

The third slide in Patrick's presentation was a chart of line graphs comparing actual rate of return to the target rate of return (actuarial assumption) beginning in the 80's through the last fiscal year. Bill Collins asked a question which returned to the subject of funding level. During part of the response, Patrick said he had seen a chart that showed our contribution rates were among the highest, if not the highest, when compared to other systems in this region.

Some committee members reacted based on the Plan Study information previously presented to them by Catherine Cole showing our rates were the lowest. I pointed out that in most of the cases, the figures presented by Catherine were combined DB plan and Social Security contributions, while perhaps Patrick was referring only to the level of DB plan contributions, and Patrick confirmed that was probably the difference.

He later talked about a 3 prong approach to our funding - increase benefits, decrease contribution, and decrease the unfunded liability.

The 4th slide was a page from the Chief Investments Officer's Report. He told the committee members that they should look at "Investments Summary - Market Value", "Performance Returns for Major Asset Categories", and "Allocations of Cash and Reallocations of Assets" each month.

The big difference between PERS and STRS rates of return: beginning in 1994, PERS moved more into U.S. Equities. STRS had more in cash equivalency. Beginning in 1996, the STRS Board began to move more to U.S. Equities. Patrick believes by the end of 1998 we will have improved our position to about "middle of the pack" of Public Systems for rate of returns.

The 5th slide showed stock market index over the last decade. 1994 was a good opportunity to buy. 1996 was less so. It is not at the point the market was in 1988 when stocks were highly overrated and a big sell off occurred.

The 6th slide was a chart showing an analysis of when to sell fixed income and move to equities. Right now, we believe it is still a good period to move to equities. When the cost of capital is low, equities do well - that's where we are now. One risk is earning, and we expect they will continue to be good.

The 7th slide showed annual rates of return under various conditions. Equities do well except in periods of high inflation. We do not believe that will happen in near future.

Our changed investment policy should move us back into higher income brackets compared to other Public Systems.

SUMMARY

We are moving from cash to equities. We are currently about \$1 billion above where we would have been if we would have stayed in the higher cash position.

Someone asked why we need to increase assets if the current payout is balanced by contributions? Benefit payout is projected to peak in 2025. We need to have funds available to be able to cover payouts once they exceed income. Save now, pay later without having to ask for help from the State general fund.

Question - How do we get cash to change position? Currently we get about \$275,000,000 monthly to spend (income exceeds payout). We can change asset allocation using that "plus" cash. The sale of assets. Right now we can move funds from fixed income to equities.

Question - What is your opinion on divesting tobacco stocks? These are Social/Political issues, not financial. What do we want to do as a society? Financially, right now they are one of the better investments. We recognize if we make the political decision to divest, it could have a negative financial impact. We will go with the Legislature's desire, but if we suffer loss, we should have some indemnification. Maybe we can pressure holding companies to split out ownership so tobacco is visible as a separate entity and we can better determine what to do with the investments.

Patrick told the committee to invite him back next year. Watch our progress vs our goals. Hold him accountable.

LEGISLATIVE SUMMARY - Karon Green

2 Year Bills

AB 88 - Rule of 85 - Support if amended. Sent suggested amendment to CTA.

AB 373 - Not applicable - was done in a bill last year.

AB 884 - Compound Cola - Support if amended - still active.

AB 1102 - Still going through the process. Support if amended position is related to costs.

AB 1166 - Housekeeping bill. Minimum Standard for Community College FTE - Last year's provisions in this bill have been deleted. It now covers PERS clean up and librarian and counselor FTE for STRS.

AB 1421

SB 1021 - Heard this week - out of policy committee - basically PERS bill - we may put in some IRC 415 provisions.

1998 Bills

- ▶ 1166 - Minimum Standards
- ▶ Working on a bill for option beneficiaries - will be able to name more than one; and ability to change options 4 and 5 to 6 and 7 for those not previously eligible to make the change; also allow pre-retirement option elections to use the option factor at time of election vs option factor in effect at the time of retirement, whichever is better.
- ▶ Technical Housekeeping Bill
- ▶ Out of State service credit provisions currently does not take effect until 1/1/98. Developing amendment to better align with the provisions for other service purchases. Previously could not use that credit to vest. Analysis now indicates we have costs only if used for DA.
- ▶ Cash Balance - Assemblyman Burton agreed to carry bill. Still working on details, some of which depend on actuarial conclusions. It will be a Board item for March. The bill puts both DB & CB into one trust, but separate programs. The bill will also allow P.T. to elect either CB or DB without employer resolution.

Question - With the option to elect either CB or DB, will schools be reimbursed for implementation? Currently discussing with employee organization as co-sponsor. It is something Board will have to consider. Would the members be willing to reimburse employers for cost to re-tool?

Question - On Out Of State Service, Can they buy part vs all? Answer - They can purchase partial credit.

Question - Is there a maximum amount they can buy? Not really an issue. Another bill provision will allow purchase of air time. That is, time for which there is no service.

Question - Will "air time" allow those previously not eligible for mil. to now buy equivalent service? - yes. Question - Will it allow the purchase to meet vesting requirements? Not yet discussed.

Board agreed to work with CTA bill proposal for increasing the age factor beyond age 60, but it must be cost neutral. Need to work on how to accomplish that. It is cost neutral for new service applied prospectively, but if it is applied to current service there is a cost.

MANDATORY SOCIAL SECURITY - Jennifer DuCray-Morrill

Jennifer handed out some talking points which can be used for letters of opposition. The letters are needed soon. Hearings will start in February and March.

Question - Are elimination of wind fall provisions linked to this issue? Once the hearings start it will be. Current language focuses on spousal benefit. Jennifer will work at hearings to get at the balance of issues.

COMMUNITY COLLEGE FTE - AB 1122 - Jennifer DuCray-Morrill

We will be drafting legislation changes to clarify provisions codified last year.

Adult Education FTE

We have not gotten into a full discussion as was done for Community College FTE AB 1122 did not provide an FTE that was amendable to K-12 adult education.

Jennifer asked the various committee members to identify Community College bases for hours of instruction:

25 hrs./week - Roger Scott
1,280 hrs./year - Orange County
30 hrs./week - John Madden () classroom
25 hrs./week - San Diego Community College - classroom
20/600 per year hrs. - Joan Steever - Los Angeles Community College

It appears that 25 instructional hours per week is an appropriate minimum.

Number of weeks, minimum standards is 35?

Discussed FTE used by Ed Whitehead's district - Use 10, 11, and 12 month programs. Based on program taught, should fall into one of those three categories. Everyone in that program is measured to that base - there must be differences in basic program - cannot be optional hours. Use of annualized hours by type of program. The minimum for the shortest program is 1,080 hours.

Dorothy Moser said that in Los Angeles, Adult Education teachers are not given a prep period, so full time is 25 hours per week.

Roberta Nathanson, LACED Adult Division, said that they are using a minimum FTE as 1,224 hours.

After the discussion, It still appears that community college minimum standards should be based on 25 hours instruction, with 1,050 minimum for K-12 Adult Education. There can also be multiple bases for K-12 Adult Education if there is a clear difference in duty requirements, and everyone in that program is measured to that program FTE.

Question - Can there be different bases for the same employee in one district? Yes, if earnings are reported on the appropriate base for time worked in each program.

A critical factor will be clear communication on minimum hours and flexibility to have FT other than the minimum of 1,050. That figure is base, it can be more. We need a well coordinated effort in education and communication between STRS, employers, and teachers organizations.

Should we require annualized use of monthly rates? That way it is an annual accumulation vs monthly accumulation of service credit, and there are issues with what is true overtime. We will need to work on those kind of implementation details.

A problem with monthly rates is the determination of when overtime occurs? If pay per month differs each month based on actual hours worked per month, annual total may come to base, but within a month there may appear to be overtime or less than full service.

The current law requires same base for both K-12 and community college - 30 hours/week, for 35 weeks.

There does appear to be a difference between K-12 and community college. 25 hours of instruction/week seems to be minimum for community college. The consensus was "yes".

For K-12, it appears that if we use 1,050 hours as a minimum there would be no need to codify the different program with FTE variances. We just need to work to ensure employers and employee negotiators recognize the rules to establish an FTE. This would also be predicated on the use of annualized earnable rates vs monthly (10, 11, or 12).

For many employers there needs to be the recognition that it will take time to convert payroll systems.

We will have to look at issues of early accumulation of FTE and the timing of retirement eligibility. We need to talk to retirement staff and the actuary on the ramifications.

STRS also needs to develop a good set of guidelines for establishment of FTE varying from the base. We also need a way to monitor what is being used. There should be documentation to justify the FTE used.

Perhaps we can do employer workshops that include employee representatives for a complete three way communication.

SUMMARY

FTE for Community Colleges:

875 hours = 35 weeks x 25 instructional hours - reported as total hours without specifications of number of weeks. Do we need to specify that they are instructional hours? Yes, with caveat that where office hours are paid, it is on top of the 875 hours, but creditable.

K-12

1,050 without weeks or days specified. This allows flexibility for uneven paid hours/week or year. Will also have to allow some grace period for employer compliance - maybe tied to compliance with Year 2000 timing.

We may consider language that requires employers to document how the FTE was constructed that resulted in the annualized pay rates. This allows visibility for both STRS and employee organizations.

We will also have to deal with the issues of early accumulation of FTE early retirement and definition of overtime.

We will also have to see if there are any grand parenting issues for existing faculty.

MERGING PERS AND STRS - Jennifer DuCray-Morrill

Jennifer referred to an article written suggesting that STRS should be combined with PERS to provide better benefits to teachers. Our response is generally that PERS is not a panacea. We still need feedback from employee organizations on what the reply. She asked the committee members to look at the handouts (copy of article and Ernest's draft). We would like UTLA to get first chance at publishing suggested reply.

The agenda for the next meeting will be full with some continuation of these items, plus from Plan Design issues.



STATE TEACHERS' RETIREMENT SYSTEM
POST OFFICE BOX 15275
SACRAMENTO, CA 95851-0275

Toll Free - 1-800-228-5453
or - (916) 229-3870
Teletalk - 1-800-222-8844
Hearing Impaired - (916) 229-3541



August 27, 1997

TO: Client Advisory Committee Member
Executive Staff
Division Chiefs
STRS Participants

FROM: Administration Branch

SUBJECT: CLIENT ADVISORY COMMITTEE MEETING - SEPTEMBER 10, 1997

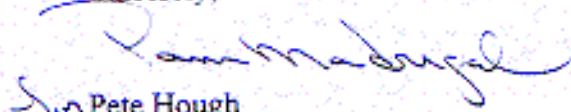
The next Client Advisory Committee Meeting will be held on Wednesday, September 10, 1997 from 1:00p.m. to 4:00p.m. The meeting will be held at the Chandler Building, right next to STRS in Conference Room 205.

Tentative suggested agenda items are as follows:

- ✓ Topics of Interest
- ✓ Legislation
- ✓ Discussion Alternate Retirement Benefits Plan
- ✓ New CIO Perspective
- ✓ Optional Benefit Survey
- ✓ Social Security & STRS Clarification

We are looking forward to seeing you on the 10th.

Sincerely,


Pete Hough
Client/Employer Liaison



STATE TEACHERS' RETIREMENT SYSTEM
POST OFFICE BOX 15275
SACRAMENTO, CA 95851-0275

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August 27, 1997

TO: Client Advisory Committee Members
Executive Staff
Division Chiefs
STRS Participants

FROM: Administration Branch

SUBJECT: CLIENT ADVISORY COMMITTEE MEETING SUMMARY
JULY 9, 1997

COMMITTEE MEMBERS PRESENT

Beverly Carlson	CTA - California Teachers Association
Bill Collins	CTA - California Teachers Association
Steve DePue	CTA - California Teachers Association
Chuck Giarratana	CTA - California Teachers Association
James Kelso	CRTA - California Retired Teachers Association
Ernest Kettenring	CCAE - California Council for Adult Education
John Madden	ACCCA - Association of California Community College Admin.
Dorothy Moser	UTLA - United Teachers Los Angeles, Retired
Chuck Parent	CRTA - California Retired Teachers Association
George Wichman	CTA - California Teacher Association

STRS STAFF PRESENT

Lynda Bridges	Chief, Service Retirement Division
Michael Carter	DCEO, Client Benefits & Services Branch
Evelyn Hayse	New Product Development
Pete Hough	Client/Employer Liaison
Francisco Lujano	Manager, Planning & Research
Rose McQuade	Analyst, Membership Division
Jennifer DuCray-Morrill	DCEO, GAPP
James Mosman	Chief Executive Officer
Bill Rogers	Manager, New Product Development
Susan Skeoch	Analyst, Office of Public Affairs
Jeanette Smith	Governmental Affairs & Policy Program Development Branch
Nancy Stockman	ACEO, Cash Balance Plan, New Product Development
Sally Zentner	Planning & Research Division

TOPIC OF INTEREST - James Mosman

Jim stated we may be at a point where we can think about some alternative benefits. The valuation should be favorable, and for the first time we may pass the 90% funding ratio. Collectively - STRS and member groups, what are the priorities for enhancements? It must be approached from the stand point that it is not a sure thing. As part of the Dave Elder full funding, the State still contributes 4.3% to pay off the unfunded liability. If the Department of Finance senses a move that may reverse the trend toward full funding they will resist - such as benefit enhancements that may extend the General Funding obligation to the System.

Ernest Kettenring offered that if we propose a package that includes visibility of continued priority on retiring the unfunded liability while also looking at enhancements it should help. Jim and Jennifer agreed.

Dorothy Moser spoke about the need to be able to provide an array of benefits that will help recruit and retain qualified teachers. The discussion showed general agreement and the need to find a balanced approach.

OPTIONAL BENEFIT SURVEY - Janice Stanger, Mercer & Associates

Nancy Stockman introduced Janice. Janice will be conducting a survey and study on optional benefits (as distinguished from the alternative benefits). Bill Rogers is the project leader. Evelyn Hayse is the project leader assistant.

Janice distributed a form to all employee organizations. The form simply lists our understanding of what members have now. She asked they review the list and note comments. She asked that only one per group be completed. Input on the "desires" will be done later. We will review the current benefits and customer satisfaction with them. Benefits not being currently offered will be covered later. Jim covered Patrick's desire to revamp the home loan program. That benefit will go into the mix. Jennifer also asked that we add the 401(k) and 403(b) programs as number 19 on the list. Dorothy M. Pointed out that the two columns may not cover those that are neither endorsed nor directly offered - leave them blank.

CTA asked the % of payroll for purchasing power if it were to become a vested benefit. Jennifer replied it would be 4.% for 70% level and 6.% for 75% level.

The purchasing power bill did not get out of the committee. CTA (Bill Collins) indicated they will be working hard on 3 members of the committee who did not vote in order to acquaint them with the details and need for the minimum 75% level.

Janice did a quick accumulation of data from the completed survey forms and then asked for additional detail of some of the plans to better evaluate coverage and costs.

Jennifer asked what the reaction would be if STRS were to consider a product already endorsed or offered by their organizations. ACCCA said most of what they offer is done to fill a hole, and if offered by anyone else at lower cost, it would be welcomed. To some degree, CTA felt same way, but deferred to the opinion of the central office at Burlingame. Dorothy agreed, especially if those programs are viewed as member recruitment advantages. The two which appeared least open to competition would be group legal and teacher training programs.

Janice then went through the list of the benefits not currently offered and asked their opinion on STRS offering their benefits. There was a general agreement to steer clear of the annuity products for various reasons.

Related to such benefits as vision and dental, the acceptance may differ by the availability- generally there is less availability in smaller, rural districts. For some of the benefits, they may also be less available to retired members.

After analyzing this input, surveys will be done with both active and retired groups. They will be done separately since interests may be different.

UTLA and CTA both felt the key interest of the active people will be the core benefits for retirement. There may be some negative reaction to STRS getting into areas other than retirement. The real need for retirees is health, dental, vision, and mental health coverages.

Ernest indicated that many of the adult education teachers are part-time, and are not eligible for benefits from either the employer or unions. Accordingly, they would probably welcome the entry of STRS into programs offering many of the listed optional benefits.

SOCIAL SECURITY VIDEO - Pete Hough

Dorothy Moser pointed out an apparent error. Since the meeting Kathy Bosler, who was responsible for the video coordination with Social Security, has confirmed that the information in the video is correct. Kathy will discuss Dorothy's question at the next meeting.

For Southern California, anyone wishing to have the video shown to a group should contact Kathy Bosler at (562) 940-1886. In Northern California, contact Pete at (916) 229-3999.

RETIREMENT PLAN STUDY FOR STRS - Jennifer DuCray-Morrill

A handout was provided which summarized the results of the survey on member organization priorities. CTA gave an informal response at the CAC meeting. Francisco has asked why UTLA did not respond. We will probably remove "out-of-state service credit" from the list since it is not really the same category of benefit as the others. We may also remove purchasing power from the list if we continue to pursue a funding mechanism that is not related to increasing member and/or employer contributions.

An issue was raised concerning different categories of members, and the amount of contribution to the system to see if there are any particular groups that reaps a better cost/benefit ratio. Jennifer's staff will look to see if there is any correlation, but the statistics are not readily available. It will not be easy to obtain the information.

Tentative suggested agenda items are as follows:

- ✓ Topics of Interest
- ✓ Legislation
- ✓ Discussion Alternate Retirement Benefits Plan
- ✓ New CIO Perspective
- ✓ Optional Benefit Survey
- ✓ Social Security & STRS Clarification

July 3, 1997

TO: Client Advisory Committee Member
Executive Staff
Division Chiefs
STRS Participants

FROM: Administration Branch

SUBJECT: CLIENT ADVISORY COMMITTEE MEETING - JULY 9, 1997

The next Client Advisory Committee Meeting will be held on Wednesday, July 9, 1997 from 1:00p.m. to 4:00p.m. The meeting will be held at the Chandler Building, right next to STRS in Conference Room 205.

Tentative suggested agenda items are as follows:

- √ Topics of Interest
- √ Legislation
- √ Discussion and Feedback from Member Organizations on the Alternate Retirement Benefits priorities.
- √ Social Security Video
- √ Optional Benefit Survey

We are looking forward to seeing you on the 9th.

Sincerely,

Pete Hough
Client/Employer Liaison

July 8, 1997

TO: Client Advisory Committee Members
Executive Staff
Division Chiefs
STRS Participants

FROM: Administration Branch

SUBJECT: CLIENT ADVISORY COMMITTEE MEETING SUMMARY
MAY 7, 1997

COMMITTEE MEMBERS PRESENT

Beverly Carlson	CTA - California Teachers Association
Steve DePue	CTA - California Teachers Association
James Kelso	CRTA - California Retired Teachers Association
Ernest Kettenring	CCAE - California Council for Adult Education
Leonard Larson	ACSA - Association of California School Administrators
Robert Lee	ACSA - Association of California School Administrators
John Madden	ACCCA - Association of California Community College Admin.
Chuck Parent	CRTA - California Retired Teachers Association
Al Reyes	UTLA - United Teachers Los Angeles
Robin Rose	CTA - California Teachers Association
Dave Walrath	CRTA - California Retired Teachers Association
George Wichman	CTA - California Teacher Association

STRS STAFF PRESENT

Kathy Bosler	STRS, Southern California Representative
Lynda Bridges	Chief, Service Retirement Division
Jennifer DuCray-Morrill	DCEO, GAPP
Michael Carter	DCEO, Client Benefits & Services Branch
Pete Hough	Client/Employer Liaison
Sharin Ives	Membership Division
Francisco Lujano	Manager, Planning & Research
Larry Martin	DCEO, Information and Financial Systems Branch
Jeanette Smith	Governmental Affairs & Policy Program Development Branch

Client Advisory Committee Meeting -5/7/97 Minutes

TOPIC OF INTEREST - Jennifer DuCray-Morrill

Jennifer opened the meeting with the introduction of the visitors from France. She then explained to the visitors who the committee members represent, and introduced them to the visitors.

STRS ALTERNATIVE RETIREMENT PLAN STUDY - Catherine L. Cole, F.S.A.

Jennifer introduced the item with an explanation of its history. As part of the Kaloogian bill compromise when the author withdrew the bill, we agreed to do a study. Catherine Cole and Ruth Shaw of Towers-Perrin worked on the study, and will be doing the presentation today.

Catherine referenced the handout, which was a copy of her presentation materials. The following notes are limited to some key comments not included in the presentation outline.

The demographics were reviewed to give a basis for decision concerning who and what level of benefits would be appropriate for any suggested changes. One goal was to look for benefit changes without cost, but that is very difficult to accomplish. Increasing a benefit without cost increase, means a reduction of another benefit.

The cost for medical care between 60 and 65 (when members become eligible for Medicare) is very expensive. Typical costs are about \$300 to \$600 per month, depending on whether it is for a single person vs. a couple.

Steve DePue asked if the trend on refunds was up or down. The answer was the trend was a decrease for several years, but it has leveled off for the last few years.

Al Reyes asked about a trend in the age of retirement. The answer was the average age of retirement has decreased from about 62 in the mid-1970's to just under age 61 in the mid-1980's, and had remained fairly constant since then.

Catherine stated that very few people have the ability to retire on 100% of pay and with full purchasing power protection. The reality is that costs go down at retirement, and full pay is not necessary to maintain the life style. When people leave early, the medical costs are increased for the individual until they are eligible for Medicare.

The presentation was based upon a survey of seven other western states retirement systems covering teachers, and a comparison of their benefits and contribution rates to STRS benefits and contribution rates. STRS was one of 3 systems not coordinated with Social Security. Social Security provides a significant portion of the benefit level provided by the other five systems. While STRS provided the lowest level of benefits for retirement, it also had both the lowest employee contribution rate and the lowest total employee/employer combined contribution rate. Arizona had the next lowest combined rate of 18.6% and New Mexico the highest at 28.7%. The bottom line was that if STRS benefits are to be improved, it will require higher contribution rates.

DISCUSSION

Jennifer said she believes that our membership is interested in a system designed for the career teacher (more than 50%), and is not particularly interested in increasing benefits in the current DB plan for interim or less than 50% of the members. She asked for confirmation of that assumption, and got affirmation from UTLA, CTA, ACSA, and CCAE. We will talk to CRTA later.

She then addressed the adequacy of benefits issue. She said it is clear that it will take more dollars, and that we will have to do some prioritization and make decisions on how the changes will be funded. She said she believed that the primary goal appeared to be an adequate retirement benefit with 75 to 80% of last compensation. Discussion indicated that it would appear that the combined employer/employee contribution rate needs to be about 24% to approximate a level of benefit needed to be about the same as those coordinated with Social Security. A request was also made to add some higher benefit level systems as benchmarks. Separately, although the 75% purchasing power issue is important, it is not part of the DB plan per se.



**CHARTER
FOR
CLIENT ADVISORY COMMITTEE
Revised 02/24/97**

Sponsor: Jim Mosman, Chief Executive Officer

Mission: Provide a forum for client organization representatives to meet with STRS staff to share information and receive feedback on legislative proposals and policy issues which will affect member benefits and services.

Goals: All the goals of the STRS Business Plan directly or indirectly support the design and delivery of benefits and services to our members. There are two goals which directly address the relationship to our members. One is to "Continuously improve the delivery of benefits and services to clientele." We accomplish this by providing these benefits and services to appropriate recipient(s) in a timely manner, accurately, and with sufficient information. The other goal is to "Actively anticipate, influence, and respond to external challenges and opportunities." One of the ways we do this is to build harmonious working relationships with critical business partners. Client organizations/associations are some of those critical business partners. In support of these efforts, the goals of the committee are to:

- foster open communication between client organizations and STRS
- provide a means for feedback from members on the design and delivery of benefits and services
- inform client organizations of legislation and policy issues which impact design and delivery of benefits and services

- acquaint client organizations with the administrative systems which effect the delivery of benefits and services.

Administration:

The agendas will be developed through requests from the member representatives, and augmented as appropriate by timely issues of mutual concern as requested by STRS staff. The agenda item issues will include law, policy, program design, and their impact on operational systems.

The meetings will generally be held bi-monthly on the Wednesday preceding the STRS Board beginning in July of each fiscal year. The annual schedule of meeting dates for the next school year will be set at the March meeting. The minutes for the previous meeting, and the agenda for the next meeting will be mailed to members about two weeks prior to the meeting date.

Committee Members and Participants:

Membership is open to representatives of client organizations and associations. The representatives may be either members of STRS or member organization staff. The representatives are chosen by the member organizations. The meetings are chaired by the STRS Client/Employer Liaison office. STRS staff will participate as necessary to represent program areas responsible for scheduled agenda items.

Expected Results:

A cooperative partnership between STRS and the client organizations that improves delivery of benefits and services to our members.

CLIENT ADVISORY COMMITTEE**MAILING LABELS***(USE LASER LABELS #5260 1"x 2 5/8")***REVISED 4/16/98**

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